

**NATIONAL CATTLEMEN'S BEEF ASSOCIATION****1301 Pennsylvania Ave., NW Suite 300 • Washington, DC 20004-1701 • 202-347-0228 • Fax 202-638-0607**

30 June 2003

Livestock and Meat Marketing Study  
Grain Inspection, Packers and Stockyards Administration  
USDA  
Room 1647-S  
1400 Independence Avenue, SW  
Washington DC 20250-3604

RE: Comments on Livestock and Meat marketing Study.

Thank you for allowing the National Cattlemen's Beef Association (NCBA) the opportunity to comment on USDA's May 30, 2003 Federal Register publication on the Livestock and Meat Marketing Study.

NCBA members are extremely concerned about concentration in the meat packing and retail sectors and the potential adverse impacts on producers. Today's livestock marketing dynamics also raise questions from producers regarding their level of adequate protection under current anti-trust and anti-competition laws.

These concerns led NCBA members to steer an aggressive initiative to encourage Congress to study the livestock and meat marketing complex. You can review NCBA's initiative in the attached letter, submitted June 22, 2002 to House Subcommittee on Agriculture Appropriations Chairman Henry Bonilla.

Careful review of the notice clearly suggests that USDA's intention is to assure that this study provide absolute credibility. Accordingly, USDA should take advantage of the historical knowledge of agriculture economists and the expertise of a leading business school. Attached are listings of lead contractor considerations, collaborative universities and peer reviewers who have demonstrated the highest standards of achievement in the field of business and livestock market dynamics.

In the Federal Register notice, USDA has captioned many important facets of the study. Specifically, objectives numbered 4, 8, 9 and 10 seek to answer why certain practices are followed and what the implications are. This will undoubtedly be the most valuable part of the study.

It will be absolutely critical that this study addresses the impact to producers of both packer and retailer concentration, and possible statutory changes to anti-trust and anti-competition laws. An additional component NCBA recommends be added to the study is a review of the statutory packer trust to protect unpaid sellers of livestock. Specifically, under which conditions are sellers of livestock protected by the packer trust?

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Do new-value added marketing arrangements offer less producer protections? If so, how can the problem be ameliorated?

Thank you for considering NCBA's comments to this study proposal. We are looking forward to working with you through the process of this unique ground-breaking research initiative.

Sincerely,

A handwritten signature in cursive script that reads "Eric Davis".

Eric Davis  
President

Attachments:

1. NCBA letter to Chairman Henry Bonilla.
2. Contact information for potential contractors and peer reviewers.

**NATIONAL CATTLEMEN'S BEEF ASSOCIATION****1301 Pennsylvania Ave., NW Suite 300 • Washington, DC 20004-1701 • 202-347-0228 • Fax 202-638-0607****Contacts for Lead and Collaborative Contractor Institutions**

Wharton School University of Pennsylvania  
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Kansas State University  
Department of Agriculture Economics  
Ted Schroeder  
218 Waters Hall  
Manhattan, KS 66506

Texas A&M University  
Department of Agricultural Economics  
Gene Nelson  
Blocker Building 334  
525 Ireland Street  
College Station, TX 77843-2124

Virginia Polytechnic Institute and State University  
Department of Agricultural and Applied Economics  
Wayne D. Purcell  
324 Hutchenson Hall  
Blacksburg, VA 24061

Colorado State University  
Department of Agricultural and Resource Economics  
Stephen R. Koontz  
B 324 Clark Building  
Fort Collins, CO 80523

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**Contacts for Recommended Peer Group Advisory**

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Professor, Department of Agricultural Economics and Economics  
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John Lawrence  
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James Mintert  
Professor, Department of Agricultural Economics  
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Barry K. Goodwin  
Professor, Department of Agricultural Environmental, and Development Economics  
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Ronald L. Plain  
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22 June 2002

The Honorable Henry Bonilla  
Chairman  
House Subcommittee on Agriculture Appropriations  
2362A Rayburn House Office Building  
Washington, DC 20515

Chairman Bonilla,

NCBA realizes that during the past decade, the beef industry has gone through a very significant change in structure and the way that cattle are marketed and that these changes are at the foundation of considerable unrest and consternation in the country. We welcome efforts to sort out the facts from the myths so that the beef industry can better focus on improving domestic and international demand and selling our product, beef, at a price that sustains the economic viability of our industry. We welcome congressional initiatives and research to clarify the facts of the matter. USDA has been prominent in research initiatives and no overwhelming evidence has been uncovered with respect to price impacts from concentration or changing marketing practices. Unrest in the countryside continues, however, so additional investigation is warranted.

Recently, producers have faced untold volatility in the prices received for livestock. Over the past several years, many changes have occurred in how livestock are priced, sold and raised. There has been increased concentration of production among the largest processors, coordination of production and marketing of livestock and closer alignment of producers with meat packers and with retailers. Many of these changes have required significant adjustments on the part of producers and in the manner in which prices for livestock are determined. Often, producers have adopted these changes as a way to improve their own operations while working in the best interest of their individual businesses. There comes a point though when the decisions of individual producers begins to impact the broader market and the cumulative effect of all these individual decisions begins to weigh on those who have not made similar decisions.

We are at a point in the beef industry where frustration abounds. Many producers are looking for quick solutions to very complicated problems. During times like these, we need to take a careful and pragmatic look at the fundamental factors impacting our industries so that we can make informed and careful decisions about the future of our industry and to assure that unintended consequences do not outweigh any potential benefits from legislated change.

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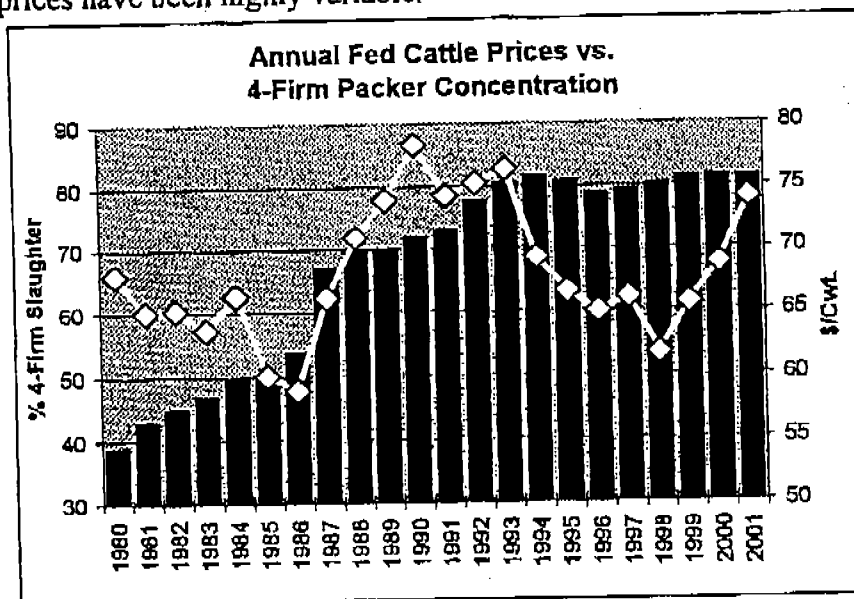
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In light of current political unrest among livestock producers and changing marketing conditions, NCBA requests that funding be provided so that USDA can contract with an unbiased independent consortium of several preeminent business schools to conduct a thorough analysis of the entire livestock, poultry and meat protein complex.

This analysis should be conducted by a consortium of universities that have demonstrated the highest standards of excellence in the field of business, industrial structure, and market conduct and performance. The analysis should take a broad look at the underlying fundamentals of the animal protein complex and all the segments that comprise the meat and poultry industry, including producers, feeders, packers, retailers, consumers and intermediaries. The study should also evaluate the impact of international trade on the affected industries. Additionally, the impact of regulatory activities and costs of regulatory compliance at all levels should also be part of the study.

Many other industries have utilized various tools to increase efficiencies and better meet consumer demand while remaining competitive in domestic and international markets. The red meat and poultry complex should be evaluated using similar models to identify the degree to which producer profitability has ultimately been impacted. Many new products have been created to help meet the demands of an ever increasing preference among consumers for food safety, product convenience, ease of serving and quality. What long term impact will these products have on producer and industry income?

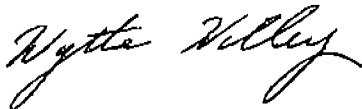
Additionally, many producers have expressed concerns about increasing levels of concentration and an associated decline in competition. In the beef industry the 4-firm concentration level has increased from less than 40 percent of steer and heifer slaughter in 1980 to more than 80 percent today. Since 1980 annual average fed cattle prices have ranged from \$58.93/cwt. in 1986 to \$78.32/cwt. in 1990. During the last 10 years, market concentration has remained virtually unchanged but prices have been highly variable.



On the surface it would seem to be apparent that factors other than changes in the four-firm concentration level have impacted cattle prices during this period since prices have varied widely during a time when there was virtually no change in concentration. However, the analysis should evaluate the impact of concentration on livestock prices in addition to the various other issues (besides supply and demand) that have been proposed as the primary culprits for livestock price volatility. Also, a clear analysis should be performed of the regulations which are designed to maintain competition. Part of the analysis should include evaluation of different business models and industry structures that will help producers maintain long-term profitability. As you can see, there are many factors that may impact livestock and poultry price levels and require further analysis. We believe that this analysis should be conducted with an eye to discerning the best long range methods for livestock producers to maintain global competitiveness, sustainability and longevity while meeting the long term needs of consumers who are the ultimate source of every producer dollar.

Thank you for considering this proposal. We look forward to working with you in the future.

Sincerely,



Wythe Willey  
President

Cc: Members of the Agriculture, Rural Development, and Related Agencies Subcommittee of the Senate  
Appropriations Committee  
Members of the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies  
Subcommittee of the House Appropriations Committee  
Members of the Senate Agriculture, Nutrition, and Forestry Committee  
Members of the House Agriculture Committee  
State Cattle Associations